

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Nottawa	<b>County</b> Isabella
<b>Audit Date</b> March 31, 2007	<b>Opinion Date</b> June 12, 2007	<b>Date Accountant Report Submitted to State:</b> June 18, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., P.C.</i>			

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 12, 2007

To the Township Board  
Township of Nottawa  
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Nottawa, Isabella County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Nottawa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Nottawa, Isabella County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Nottawa covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$293,373.13 from governmental activities with a \$2,412.54 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. These include the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant is fire protection which incurred expenses of \$89,598.19.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$70,320.44 in capital assets.

The Township's governmental activities paid \$0 in principal on long-term debt.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 1887 N. Winn Road, Weidman, Michigan 48893.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>524 314 42</u>
Total Current Assets	<u>524 314 42</u>
NON-CURRENT ASSETS:	
Capital Assets	188 964 17
Less: Accumulated Depreciation	<u>(38 772 16)</u>
Total Non-current Assets	<u>150 192 01</u>
TOTAL ASSETS	<u>674 506 43</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 976 00</u>
Total Current Liabilities	<u>1 976 00</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>1 976 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	150 192 01
Unrestricted	<u>522 338 42</u>
Total Net Assets	<u>672 530 43</u>
TOTAL LIABILITIES AND NET ASSETS	<u>674 506 43</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	5 316 00	-	(5 316 00)
General government	98 037 64	3 887 50	(94 150 14)
Public safety	90 998 19	-	(90 998 19)
Public works	74 191 62	-	(74 191 62)
Culture and recreation	22 417 14	-	(22 417 14)
Total Governmental Activities	<u>290 960 59</u>	<u>3 887 50</u>	<u>(287 073 09)</u>
General Revenues:			
Property taxes			54 676 57
State revenue sharing			161 160 96
Interest			24 860 87
Miscellaneous			<u>48 787 23</u>
Total General Revenues			<u>289 485 63</u>
Change in net assets			2 412 54
Net assets, beginning of year			<u>670 117 89</u>
Net Assets, End of Year			<u>672 530 43</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2007

	<u>General</u>
<u>Assets</u>	
Cash in bank	523 704 01
Due from other funds	<u>610 41</u>
Total Assets	<u>524 314 42</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>1 976 00</u>
Total liabilities	<u>1 976 00</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>522 338 42</u>
Total fund equity	<u>522 338 42</u>
Total Liabilities and Fund Equity	<u>524 314 42</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	522 338 42
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	188 964 17
Accumulated depreciation	<u>(38 772 16)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>672 530 43</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	<u>General</u>
Revenues:	
Property taxes	54 676 57
State revenue sharing	161 160 96
Charges for services – other	3 887 50
Interest	24 860 87
Miscellaneous	<u>48 787 23</u>
Total revenues	<u>293 373 13</u>
Expenditures:	
Legislative:	
Township Board	5 316 00
General government:	
Supervisor	9 478 80
Elections	2 989 30
Assessor	13 000 00
Clerk	10 112 00
Board of Review	1 050 00
Treasurer	14 156 70
Building and grounds	10 147 67
Cemetery	7 884 83
Unallocated	27 207 93
Public safety:	
Liquor control	1 400 00
Fire	89 598 19
Public works:	
Highways and streets	63 827 82
Street lights	5 579 62
Drains	4 784 18
Culture and recreation:	
Parks and recreation	14 597 89
Library	500 00
Capital outlay	<u>70 320 44</u>
Total expenditures	<u>351 951 37</u>
Excess (deficiency) of revenues over expenditures	(58 578 24)
Fund balance, April 1	<u>580 916 66</u>
Fund Balance, March 31	<u><u>522 338 42</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (58 578 24)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(9 329 66)
Capital Outlay	<u>70 320 44</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>2 412 54</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Nottawa, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Nottawa. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was .9752 mills, and the taxable value was \$56,088,989.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$100.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25 years
Furniture and equipment	15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>524 314 42</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>424 314 42</u>
Total Deposits	<u>524 314 42</u>

The Township of Nottawa did not have any investments as of March 31, 2007.



TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
<u>Governmental Activities:</u>				
Land	-	66 820 44		66 820 44
Buildings	15 200 00	-	-	15 200 00
Equipment	103 443 73	3 500 00	-	106 943 73
 Total	 118 643 73	 70 320 44	 -	 188 964 17
Accumulated Depreciation	(29 442 50)	(9 329 66)	-	(38 772 16)
Net Capital Assets	89 201 23	60 990 78	-	150 192 01

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2007, was \$7,863.74.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Nottawa does not issue building permits. Building permits are issued by the County of Isabella.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	55 000 00	55 000 00	54 676 57	(323 43)
State revenue sharing	151 457 50	151 457 50	161 160 96	9 703 46
Charges for services:				
Other	1 001 50	1 001 50	3 887 50	2 886 00
Interest	5 000 00	5 000 00	24 860 87	19 860 87
Miscellaneous	20 500 00	20 500 00	48 787 23	28 287 23
Total revenues	<u>232 959 00</u>	<u>232 959 00</u>	<u>293 373 13</u>	<u>60 414 13</u>
Expenditures:				
Legislative:				
Township Board	6 800 00	6 800 00	5 316 00	(1 484 00)
General government:				
Supervisor	10 600 00	10 600 00	9 478 80	(1 121 20)
Elections	2 600 00	3 100 00	2 989 30	(110 70)
Assessor	13 000 00	13 000 00	13 000 00	-
Clerk	10 600 00	10 600 00	10 112 00	(488 00)
Board of Review	1 750 00	1 750 00	1 050 00	(700 00)
Treasurer	14 775 00	14 775 00	14 156 70	(618 30)
Building and grounds	2 950 00	13 050 00	10 147 67	(2 902 33)
Cemetery	8 600 00	8 900 00	7 884 83	(1 015 17)
Unallocated	47 350 00	46 150 00	27 207 93	(18 942 07)
Public safety:				
Liquor control	1 400 00	1 400 00	1 400 00	-
Fire	50 000 00	96 623 19	89 598 19	(7 025 00)
Public works:				
Highways and streets	125 250 00	113 250 00	63 827 82	(49 422 18)
Street lights	6 000 00	6 000 00	5 579 62	(420 38)
Drains	6 000 00	6 000 00	4 784 18	(1 215 82)
Culture and recreation:				
Parks and recreation	67 300 00	67 300 00	14 597 89	(52 702 11)
Library	500 00	500 00	500 00	-
Contingency	50 000 00	-	-	-
Capital outlay	65 000 00	70 676 81	70 320 44	(356 37)
Total expenditures	<u>490 475 00</u>	<u>490 475 00</u>	<u>351 951 37</u>	<u>(138 523 63)</u>
Excess (deficiency) of revenues over expenditures	(257 516 00)	(257 516 00)	(58 578 24)	198 937 76
Fund balance, April 1	<u>257 516 00</u>	<u>257 516 00</u>	<u>580 916 66</u>	<u>323 400 66</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>522 338 42</u>	<u>522 338 42</u>

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2007

Township Board:	
Salaries	5 316 00
Supervisor:	
Salary	9 460 00
Miscellaneous	18 80
	<u>9 478 80</u>
Election:	
Wages	2 989 30
Assessor:	
Salary	13 000 00
Clerk:	
Salary	9 964 40
Miscellaneous	147 60
	<u>10 112 00</u>
Board of Review:	
Wages	1 050 00
Treasurer:	
Salary	14 056 30
Miscellaneous	100 40
	<u>14 156 70</u>
Building and grounds:	
Contracted services	923 00
Repairs and maintenance	8 339 80
Utilities	884 87
	<u>10 147 67</u>
Cemetery:	
Repairs and maintenance	2 405 40
Contracted services	5 040 00
Utilities	439 43
	<u>7 884 83</u>
Unallocated:	
Mileage	22 80
Payroll taxes	831 38
Dues	1 192 08
Contracted services	2 300 00
Printing and publishing	3 156 27
Postage	1 162 32
Insurance	4 786 00
Pension	7 863 74
Operating supplies	638 81
Miscellaneous	5 254 53
	<u>27 207 93</u>
Liquor law enforcement:	
Wages	1 400 00
Fire:	
Contracted services	25 875 00
Repairs and maintenance	46 623 19
Supplies	17 100 00
	<u>89 598 19</u>

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2007

Highways and streets:	
Repairs and maintenance	<u>63 827 82</u>
Street lighting:	
Utilities	<u>5 579 62</u>
Drains:	
Repairs and maintenance	<u>4 784 18</u>
Parks and recreation:	
Repairs and maintenance	1 040 50
Contracted services	13 405 00
Utilities	<u>152 39</u>
	<u>14 597 89</u>
Library:	
Contracted services	<u>500 00</u>
Capital outlay	<u>70 320 44</u>
Total Expenditures	<u><u>351 951 37</u></u>

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>588 56</u>	<u>1 688 821 97</u>	<u>1 688 800 12</u>	<u>610 41</u>
<u>Liabilities</u>				
Due to other funds	588 56	61 438 36	61 416 51	610 41
Due to other units	<u>-</u>	<u>1 627 383 61</u>	<u>1 627 383 61</u>	<u>-</u>
Total Liabilities	<u>588 56</u>	<u>1 688 821 97</u>	<u>1 688 800 12</u>	<u>610 41</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 12, 2007

To the Township Board  
Township of Nottawa  
Isabella County, Michigan

We have audited the financial statements of the Township of Nottawa for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Nottawa in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Nottawa  
Isabella County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants